

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-25 NEA-14 ISO-00 EB-11 SS-20 NSC-07 SSO-00

NSCE-00 L-03 CIAE-00 INR-11 NSAE-00 RSC-01 /093 R

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DRAFTED BY TREAS:MFIELD:SSW

APPROVED BY EB/IFD:S. WEINTRAUB

TREAS: N. GORDON

S/S-O:G. TWOHIE

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P R 200008Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT PRIORITY

INFO AMEMBASSY ROME

C O N F I D E N T I A L STATE 157499

PASS SIMON PARTY

SUBJECT: U.S.-ITALY INCOME TAX TREATY

FOLLOWING IS PROVIDED FOR YOUR INFORMATION. TREASURY  
STAFF SEES NO NEED FOR YOU TO RAISE THE ISSUE.

1. DUE TO ITALIAN TAX REFORM MEASURES WHICH TOOK  
EFFECT JANUARY 1, 1974, THE INCOME TAX TREATY BETWEEN THE  
UNITED STATES AND ITALY SIGNED IN 1955 WILL HAVE TO BE  
RENEGOTIATED.

2. BOTH SIDES ARE INTERESTED IN MAINTAINING  
THE APPLICATION OF THE TREATY ON AN INTERIM BASIS UNTIL  
A NEW TREATY CAN BE NEGOTIATED, WHICH IS NECESSARILY A RATHER  
LENGTHY PROCESS.

3. HOWEVER, TO PROTECT U.S. RIGHTS, THE U.S.  
HAS NOTIFIED ITALY OF ITS INTENTION TO TERMINATE THE  
TREATY AS OF JANUARY 1, 1975 IF AN ACCEPTABLE AGREEMENT  
HAS NOT BEEN REACHED BY THAT TIME FOR CONTINUING IT IN FORCE.

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THE NOTICE OF TERMINATION WAS PRESENTED AS SIMPLY A FORMAL

EXERCISE OF THE OPTION OPEN TO EITHER SIDE, WITH ASSURANCES THAT THE NOTICE WILL BE WITHDRAWN IF A SATISFACTORY ARRANGEMENT IS REACHED.

4. TECHNICAL DISCUSSIONS HAVE ALREADY BEEN INITIATED AND WILL BE PURSUED ON AN AGREEMENT TO CONTINUE THE TREATY IN FORCE UNTIL A NEW TREATY CAN BE NEGOTIATED TO REPLACE IT.

5. THE PRINCIPAL ISSUE OF DIFFERENCE BETWEEN THE TWO PARTIES IS THE NEW LOCAL TAX IN ITALY (ILOR) WHICH ITALY FEELS SHOULD NOT BE COVERED BY THE TREATY BECAUSE IT IS A LOCAL TAX. U.S. POSITION IS THAT DESPITE ITS DESIGNATION AS LOCAL THE ILOR IS A NATIONAL TAX IN CHARACTER BECAUSE IT IS ESTABLISHED AND CAN BE CHANGED ONLY BY THE NATIONAL PARLIAMENT. TO EXCLUDE IT WOULD REDUCE THE COVERAGE OF THE TREATY ON THE ITALIAN SIDE SO THAT ITS APPLICATION WOULD NOT BE RECIPROCAL. (U.S. STATE AND LOCAL TAXES ARE NOT COVERED, BUT IN PRACTICE NO STATE OR LOCAL GOVERNMENTS WITHHOLD TAX ON PAYMENTS TO ITALIAN RESIDENTS.)  
INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX AGREEMENTS, NEGOTIATIONS, INCOME TAXES, MINISTERIAL VISITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE157499  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** MFIELD:SSW  
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**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740195-0805  
**From:** STATE  
**Handling Restrictions:** n/a  
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**Line Count:** 81  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN TRSE  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 MAY 2002  
**Review Event:**  
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**Review History:** RELEASED <22 MAY 2002 by elyme>; APPROVED <31 MAR 2003 by GarlanWA>  
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**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** U.S.-ITALY INCOME TAX TREATY FOLLOWING IS PROVIDED FOR YOUR INFORMATION. TREASURY  
**TAGS:** PFOR, EFIN, IT, US, (SIMON, WILLIAM E)  
**To:** KUWAIT  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005